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APR 23 2008

PUBLIC SERVICE
COMMISSION

Via Overnight Mail

April 22, 2008

Ms. Stephanie L. Stumbo, Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40602

Re: Administrative Case No. 2007-00477

Dear Ms. Stumbo:

Please find enclosed the original and twelve (12) copies of RESPONSE OF THE KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC. TO DUKE ENERGY KENTUCKY, INC'S REQUEST FOR INFORMATION dated April 10, 2008 to be filed in the above-referenced matter.

By copy of this letter, all parties listed on the attached Certificate of Service been served. Please place these documents of file.

Very Truly Yours,



David F. Boehm, Esq.
Michael L. Kurtz, Esq.
BOEHM, KURTZ & LOWRY

MLKkew
Attachment
cc: Certificate of Service

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing was served by mailing a true and correct copy, by regular U.S. mail (unless otherwise noted) to all parties on the 22nd day of April, 2008.

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COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

APR 23 2008

PUBLIC SERVICE
COMMISSION

In the Matter of: _____ :
: :
AN INVESTIGATION OF THE ENERGY : Administrative Case No. 2007-00477
AND REGULATORY ISSUES IN SECTION :
50 OF KENTUCKY'S 2007 ENERGY ACT :

RESPONSE OF
KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC.
TO DUKE ENERGY KENTUCKY, INC'S REQUEST FOR INFORMATION

1. Referring to Page 1, Lines 19-21 of Witness Higgins's Supplemental Testimony, what information does the Witness believe would be appropriate and or useful for the Commission to gather regarding energy efficiency efforts of industrial customers?

RESPONSE:

As mentioned on page 2 of my Supplemental Testimony, I believe it may be appropriate for the individual utilities to conduct a survey or study of the energy efficiency efforts of their industrial customers. Information that would be relevant in such a study is the type of technology or process used for energy efficiency and the level of energy savings achieved.

2. Referring to page 2, line 5 through 8 of Witness Higgins's testimony, is the witness suggesting that it is overly burdensome for industrial consumers to substantiate their energy efficiency efforts, or just to file the application with the Commission? Please explain.

RESPONSE:

It would not be overly burdensome for industrial customers to substantiate their energy efficiency efforts. It may be administratively burdensome for the Commission to receive and process over 4,000 new applications from each industrial customer in Kentucky.

3. Referring to page 2, line 3 through 5 of Witness Higgins's Supplemental Testimony, is it the Witness's opinion that the Kentucky Public Service Commission does not have the statutory authority to require industrial customers to verify their energy efficiency efforts as a precondition to opting out of a utility sponsored energy efficiency program?

RESPONSE:

No. I do not believe that KRS 278.285 prevents the Commission from requiring industrial customers to verify their energy efficiency efforts as a precondition to opting out of a utility sponsored energy efficiency program. However, it would be a significant change in Commission policy.

4. Do the KIUC member companies keep track of the energy efficiency measures implemented (e.g. types of programs initiated, estimated energy savings, load reduction, etc.)?
- a. If yes, please explain how this information is tracked.
 - b. If no, please explain why the member companies do not keep track of the energy efficiency measures they implement.

RESPONSE:

There is no standard method of tracking energy efficiency measures common to all KIUC member Companies.

5. Has Witness Higgins performed a study or analysis which quantifies the costs (time, resources, money, etc.) of industrial customers substantiating their energy efficiency efforts?

RESPONSE:

No.

6. What factors are considered by industrial customers in deciding whether to participate in a utility's energy efficiency program offerings or to implement an energy efficiency measure on their own? What are the levels and/or timing of paybacks and/or returns that are expected in choosing to implement energy efficiency programs?

RESPONSE:

Although I cannot speak for every industrial customer, the decision of whether or not to implement an energy efficiency measure is probably made like other business decisions, by a cost/benefit analysis. The levels of timing of paybacks and return that are expected from an energy efficiency investment are likely determined on a case-by-case basis. As stated in my Supplement Testimony, the competitive market provides strong incentives for industrial customers to take steps to reduce energy consumption.

7. Referring to page 2, line 9 of Witness Higgins's Supplemental Testimony, recommending each utility compile information and support a report on the efficiency efforts of industrial customers in their service territory, please explain why an industrial customer opting out of a utility's demand side management program should not be required to demonstrate that the customer has in fact implemented its own energy efficiency measures.

RESPONSE:

Over the 14 year period in which KRS 278.285 has been in effect, the Commission has not required industrial customers to make a detailed showing of their energy efficiency efforts. It would likely create an unreasonable burden for the Commission to solicit and process applications from each industrial customer to continue to opt-out of a utility sponsored program.

8. Referring to page 2, line 9 of Witness Higgins's Supplemental Testimony, recommending each utility compile information and support a report on the efficiency efforts of industrial customers in their service territory:
- a. How does the witness recommend the utility acquire and compile such information?
 - b. How does the Witness recommend the costs of performing such a study and compiling such information be allocated? If the witness believes that such costs should be born by anyone other than the industrial customers, please explain why this is reasonable.
 - c. Would the witness support a process where the customer wishing to opt out of the utility energy efficiency program provides information to the utility regarding the energy efficiency measures which have been implemented?

RESPONSE:

- a. The witness does not have a specific recommendation as to how the utility would acquire this information.
- b. The witness does not have a recommendation as to how the costs of a study would be recovered.
- c. Such a process may be reasonable, but would also likely create an administrative burden; consequently the witness does not offer unqualified support for such a proposal without more detail.